



Davis Wright Tremaine LLP

ANCHORAGE BELLEVUE LOS ANGELES NEW YORK PORTLAND SAN FRANCISCO SEATTLE SHANGHAI WASHINGTON, D.C.

JAMES M. SMITH
DIRECT (202) 508-6688
jamesmsmith@dwt.com

SUITE 450
1500 K STREET NW
WASHINGTON, D.C. 20005-1272

TEL (202) 508-6600
FAX (202) 508-6699
www.dwt.com

December 15, 2006

By Electronic Filing

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *Ex Parte*
WC Docket No. 05-68

Dear Ms. Dortch:

On December 14, 2006, Thomas W. Bade, President of Arizona Dialtone, Inc., Paul K. Brooks, its consultant, and the undersigned held meetings with Albert Lewis, Lynne Hewitt Engledow and Jennifer McKee of the Wireline Competition Bureau's Pricing Policy Division; John W. Hunter of Commissioner McDowell's office; Scott K. Bergmann of Commissioner Adelstein's office; John Branscome of Commissioner Copps' office; and Ian Dillner of Commissioner Tate's office, to discuss Arizona Dialtone's Petition for Reconsideration in the above-referenced proceeding. The attached handout was used during these meetings.

Please direct any correspondence concerning this matter to the undersigned counsel.

Sincerely,

A handwritten signature in black ink that reads "James M. Smith". The signature is written in a cursive, flowing style.

James M. Smith
Counsel to Arizona Dialtone Inc.

cc: Albert Lewis
Lynne Hewitt Engledow
Jennifer McKee
John W. Hunter

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Scott K. Bergmann
John Branscome
Ian Dillner
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**OUTLINE OF ARIZONA DIALTONE INC.
PRESENTATION TO FCC RE: ITS PETITION FOR
RECONSIDERATION IN WC DOCKET 05-68 (6/30/06
PREPAID CALLING CARD ORDER)**

DEC. 14, 2006

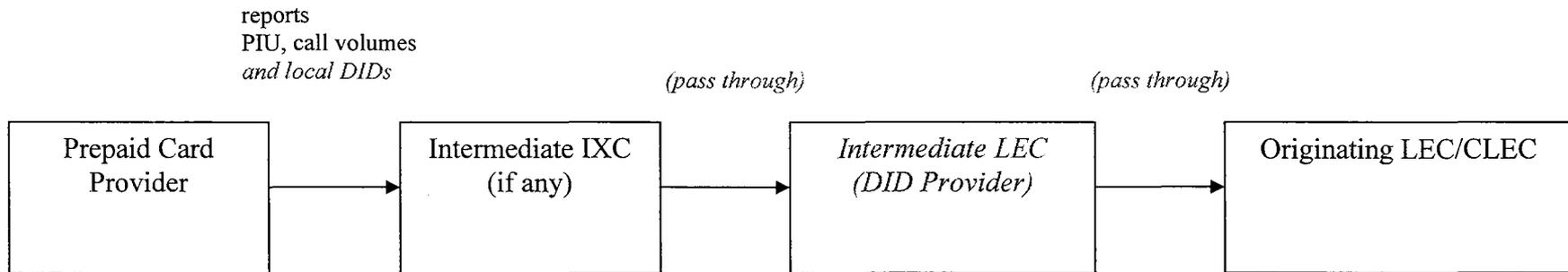
- Arizona Dialtone is a CLEC providing wireline local exchange service in Arizona, Colorado, and Minnesota. As a CLEC, it depends on fair recovery of originating access charges for interstate services provided by IXC's in its local service areas.
- The Commission was absolutely correct in ruling that Prepaid Calling Card Providers (including those offering "menu-driven" features) are telecommunications carriers subject to USF and access charge payment obligations. *But* this welcome and long-awaited decision will be an unenforceable nullity unless the FCC augments its new "reporting and certification" rules to prevent prepaid card providers from using "DID" numbers and other forms of local routing to disguise long distance calls as "local" ones and thereby avoid originating access charges. The comments show that this practice is widespread and proliferating, and it will become universal unless checked, because it renders access billing impossible. As the Commission's 6/30/06 *Order* observed:

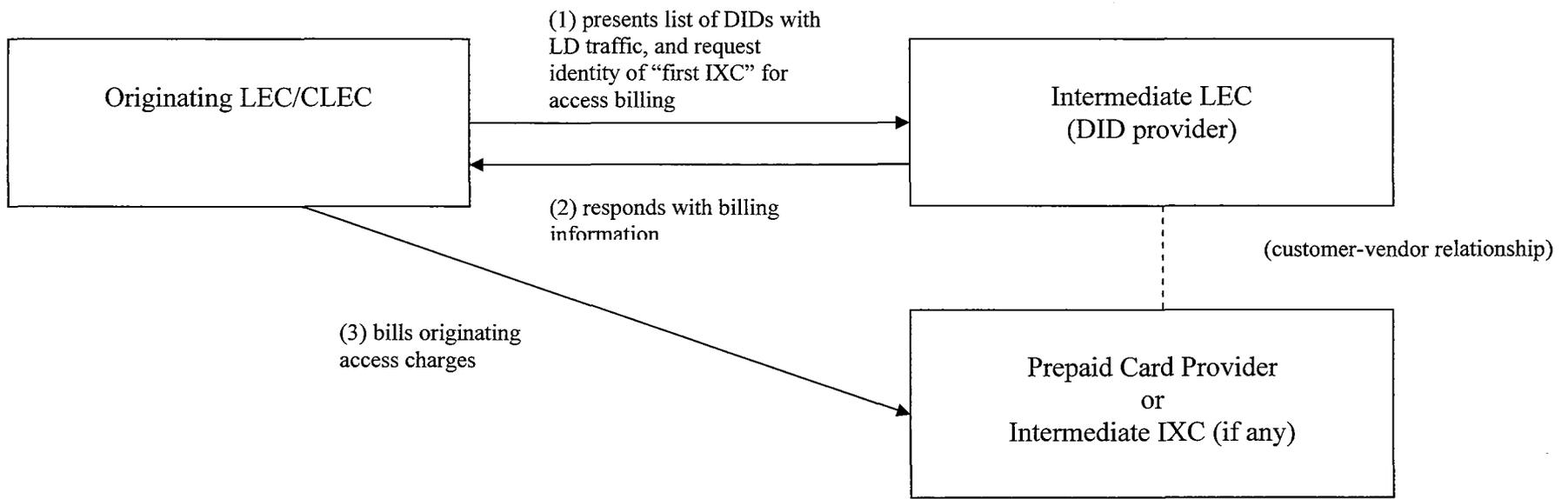
"Any uncertainty regarding the regulatory requirements applicable to prepaid calling cards creates incentives for providers to reduce exposure to charges they may owe or evade them altogether. The actions we take in this Order will provide a level regulatory playing field for calling card providers, thereby reducing the potential for continued 'gaming' of the system. In the absence of these actions, uncertainty regarding applicability of our rules could . . . encourage providers to adapt their products solely to evade contribution. . . ."

- That evasion is occurring unabated. The Commission must act.

- The critical centerpiece of ADI’s proposal is that an “intermediate” LEC or CLEC that furnishes local access numbers used by prepaid call platform providers for long-distance prepaid calling access must disclose the identity of its customers who purchase the local numbers to an originating LEC entitled to recover access charges. Otherwise, an originating LEC will be clueless as to whom to bill for access and the long-distance prepaid card provider will successfully avoid its access obligation.
- The FCC has imposed very similar tracking and reporting requirements on carriers in its *Payphone Compensation* docket, for a similar purpose: to enable PSPs to recover compensation for completed payphone calls.
- All Commenters agreed that the problem identified by Arizona Dialtone is real and widespread. Verizon, AT&T and Embarq all substantially supported the Petition, while suggesting different regulatory solutions; Level 3 partially supported the Petition, but would have the Commission “punt” the issue to the pending Intercarrier Compensation docket. Sprint Nextel opposed the Petition on purely procedural grounds (claiming that Arizona Dialtone’s proposals are “outside the scope of the proceeding;” yet Arizona Dialtone’s Petition is entirely in keeping with the Order’s stated objective to “set forth some additional requirements that will apply. . . to all prepaid calling card providers. . . necessary to provide regulatory certainty and ensure compliance with our existing access charge and USF contribution requirements. . . .”

NEW FCC RULE 64.5001 (PER 6/30/06 ORDER)
[with Arizona Dialtone proposed revisions in *italics*]





- Verizon's proposal to compel prepaid card providers to subscribe to large ILECs' tariffed Feature Group A products, supported by AT&T and Embarq (large ILECs all) should not be adopted. While large ILECs would benefit under a "compelled FGA" rule, many prepaid card providers and intermediate carriers cannot afford to establish the direct LEC access (*i.e.*, separate dedicated trunk connections at every central office) needed for Feature Group A; and many smaller CLECs cannot offer FGA access. Thus, a "compelled FGA" regime would replace one evil with another, by grievously harming competition in both prepaid calling and competitive carrier services. Moreover, a pronouncement that FGA must be used by prepaid providers wishing to offer local number routing will be unenforceable as long as DID local routing is available in the marketplace.
- Verizon's claim that LECs who do not create call records ("CDRs") for local traffic would not be helped under Arizona Dialtone's proposals is unavailing, inasmuch as any LEC or CLEC *can* easily and inexpensively create them with a simple software conversion of data already in its database, as Arizona Dialtone (a small CLEC) has.
- Level 3 is incorrect in claiming that SMS/800 blocking is a solution, because only the carrier controlling the local number can initiate such blocking.